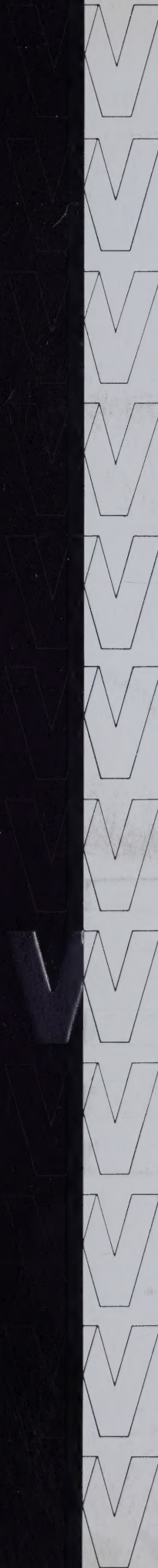


AR16



**THE
WHEELABRATOR
CORPORATION**

ANNUAL REPORT 1965

COVER DESIGN symbolically illustrates the technology involved as dirty metals — or polluted air — pass through Wheelabrator equipment and emerge clean.

THE WHEELABRATOR CORPORATION

ANNUAL REPORT 1965

MARCH
20, 1966

Directors

(As of February 1, 1966)

William H. Coleman, *Chairman of the Board*
James F. Connaughton, *President and Chief Executive Officer*
Warner B. Bishop, *President, Union Financial Corp., Cleveland, O.*
Oliver C. Carmichael, Jr., *Chairman of the Board,*
Associates Investment Company, South Bend, Ind.
Charles W. Enyart, *Chairman, The C. L. Gougler Machine Co., Kent, O.*
John M. Galvin, *Chairman of the Executive Committee,*
The Marine Trust Company of Western New York, Buffalo, N. Y.
Walter M. Jeffords, Jr., *Consultant,*
The Brooklyn Union Gas Company, Brooklyn, N. Y.
Carter Kissell, *Vice Chairman, Midland-Ross Corp., Cleveland, O.*
Charles H. Klein, *President, Novelart Manufacturing Company, Cincinnati, O.*
John J. Lee, *Senior Vice President*
Max Muller, *President, Basic Incorporated, Cleveland, O.*
Cyril R. Porthouse, *President, Dunhill International, Inc., Ravenna, O.*
J. Davidge Warfield, *President, Aurora Corporation of Illinois, Chicago, Ill.*
Harry T. Whitley, *President, Pacific Industries, Inc., New York, N. Y.*

Officers

William H. Coleman, *Chairman of the Board*
James F. Connaughton, *President and Chief Executive Officer*
John J. Lee, *Senior Vice President*
Jacob A. Schmidt, Jr., *Vice President and Treasurer*
William Butler, 3rd, *Vice President—Commercial Relations*
Herbert J. Hansell, *Secretary*
Stanley R. Twitchell, *Controller*

Corporate Data

Offices

Corporate: 400 South Byrkit Avenue, Mishawaka, Indiana 46544
Financial: 224 West Jefferson Blvd., South Bend, Indiana 46601

Stock Listing

American Stock Exchange

Transfer Agent

The Chase Manhattan Bank, New York, New York 10015

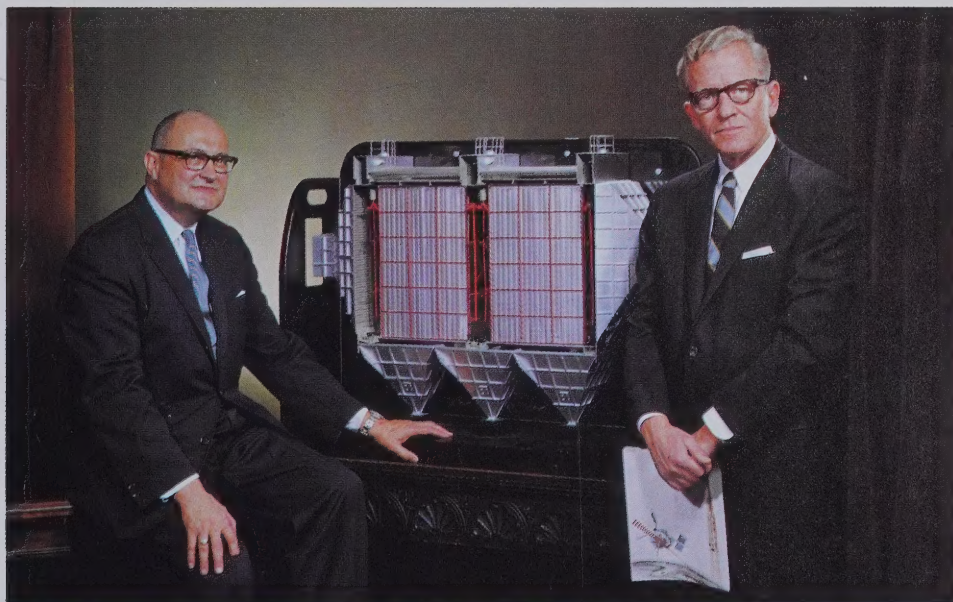
Registrar

Marine Midland Grace Trust Company of New York, New York, New York 10015

THE FINANCIAL YEAR IN REVIEW

| | 1965 | 1964 |
|--|--------------|--------------|
| Sales <i>Increased 7%</i> | \$60,241,085 | \$56,489,229 |
| Gross Profits <i>Increased 17%</i> | \$16,330,579 | \$13,939,583 |
| % to sales | 27.1% | 24.7% |
| Income After Taxes <i>Increased 20.3%</i> | \$ 3,386,905 | \$ 2,815,197 |
| % to sales | 5.6% | 5.0% |
| % to stockholders' equity | 11.1% | 10.0% |
| Working Capital at Year End | \$21,070,156 | \$19,948,229 |
| Stockholders' Equity at Year End | \$30,508,704 | \$28,144,903 |
| Common Stockholders' Equity | \$16,420,274 | \$13,087,673 |
| Shares Outstanding at End of Year | 1,241,630 | 1,079,515 |
| Book Value Per Share | \$ 13.22 | \$ 12.12 |
| December 31, Market Value | \$ 22.75 | \$ 12.625 |
| Dividends Paid Per Share | | |
| 1st Preferred | \$ 1.50 | \$ 1.50 |
| 2nd Preferred | .25 | .25 |
| Common | .70 | .40 |
| Common | — | 5% Stock |
| Earnings Per Common Share (Based on 1,241,630 Shares Currently Outstanding) | | |
| Before Preferred Dividend Requirement | \$ 2.73 | \$ 2.27 |
| After Preferred Dividend Requirement | \$ 2.15 | \$ 1.66 |

TO THE STOCKHOLDERS:



Mr. Connaughton (left) and Mr. Coleman with a model of the Wheelabrator-Lurgi electrostatic precipitator.

During 1965, The Wheelabrator Corporation moved forward strongly on many operating fronts. It was a very good year for the corporation, due in part to the nation's economy but, more significantly, it reflected the increasing world-wide acceptance of the company's products, know-how and services.

Each of the three principal operating divisions exceeded forecasts in contributing to the sales and profitability of the corporation and each gained a firmer foothold in its diversified marketing areas. Service to customers was increased by broadening and improving manufacturing and engineering functions.

Programs for Growth

To continue the momentum of the past two years and to meet the requirements of expanding new business, to enhance profit margins and to insure a stable foundation for orderly progress, a number of pertinent measures have been initiated.

A major capital expansion program, including new facilities, additions to present facilities and new equipment, is planned for the Wheelabrator Division in Mishawaka. The growing volume of commercial business at the Twin Industries Division necessitates an increased budget for capital expenditures for the Buffalo operation.

Two other new facilities are projected for 1966. The W. W. Criswell Company Division will build a fabricating plant in Riverside, California, to increase West Coast sales of its cloth filter products. It will also require an addition to its present facility in Riverton, New Jersey.

The Barrday Ltd. Division has outgrown its plant in Galt, Ontario, and will soon start construction of a new factory nearby.

The corporation also undertook an active acquisition program which contemplates broadening of its activities in this country and internationally. The program involves both direct ownership and joint ventures on a scale perhaps modest at the outset but with considerable promise for future sales and income.

The overall program for capital expenditures, purchase of plants and acquisitions has been established for 1966 and needs for ensuing years are being projected and analyzed. Funds required for these essential programs may not be generated entirely by internal growth, and bank borrowings may be necessary.

To help sustain this program of corporate development, efficient and economic operations are rigidly pursued, the recruitment of skilled employees is being accelerated, and competitive abilities in all market areas are being sharpened.

Financial

Earnings after taxes increased substantially over the previous year but were affected somewhat by a nonrecurring item, the cost of moving the operations of the Balcrank Division from Cincinnati and integrating them in Mishawaka.

For the 12 months ended December 31, 1965, income after taxes was \$3,386,905, an increase of 20.3 per cent over net earnings of \$2,815,197 in 1964. Sales volume totaled \$60,241,085, up seven per cent from sales of \$56,489,229 in the previous year.

After payment of preferred dividends, income available to holders of the corporation's common stock was \$2,670,609, equivalent to earnings of \$2.15 per common share. This was an increase of 29.6 per cent over the 1964 figure of \$2,060,985, equal to \$1.66 per common share. The per share results for last year have been adjusted to reflect the larger number of common shares outstanding at the end of 1965.

If the number of common shares outstanding had remained constant at the December 31, 1964 level, per share earnings in 1965 based on the lesser total would have been equal to \$2.47 per share.

During the year, four dividends of 15 cents each and an extra dividend of 10 cents were declared on the common shares, a total of 70 cents. Regular dividends were paid on each of the two classes of preferred shares. The cash dividend paid Jan. 1, 1966 initiated a quarterly dividend policy for the common shares.

The backlog of orders at year's end was 40 per cent higher than at the beginning of 1965, rising from \$33,771,000 to \$47,522,000.

Wheelabrator Division

The sales of this Division increased on the strength of a rise in the volume of each of its four basic product lines. Shipments of blast cleaning machinery were up 20 per cent; industrial air pollution control systems rose almost 25 per cent; steel abrasives 18 per cent; and precision vibratory finishing equipment, marketed under the Lorco name, experienced its most successful year.

The metalworking industry's expansion of plant and production capacities, primarily in the automotive and foundry fields, had a direct bearing on the higher level of blast

cleaning sales. The acceptance of new types of highly automated cleaning equipment developed by the division was also a key factor.

Steel mills continued to be a major expanding market for machines to descale steel strip, heavy plate, structural steel and rod and bar stock. Shot peening, which uses an adaptation of Wheelabrator's basic abrasive impact process, was more widely employed in the aviation and automotive industries to increase the life of stressed metal parts.

Automation was responsible for the upward trend in Lorco equipment, a precision finishing principle for smaller products using chemical compounds and media in vibratory or barrel type actions. Several new models were added to the line of fully automated batch-type and vibratory finishers.

Activity in the industrial air pollution control field continued to grow. Included were two of the largest control systems ever produced—a smoke and fume abatement system for two 225-ton steel melting furnaces and an air filtration installation which processes 3,000,000 cubic feet of super-cleaned air per minute for all production areas of a new automotive foundry.

The company's position in air pollution control was strengthened measurably during the year by a licensing arrangement with a prominent German organization, Lurgi Apparatbau, Gesellschaft, m.b.H., for the manufacture and sale of electrostatic precipitators. This adds to Wheelabrator's well-established cloth filter systems a second, high efficiency product line for U. S. and Canadian markets.

The abrasive-making plant in Mishawaka operated at full capacity on a three-shift basis, and associated steel shot plants in France and Japan also ran far ahead of the previous year.

The Wheelabrator Corporation of Canada Limited secured its traditional share of business in the Dominion's provinces, and the Barrday Ltd. Division reached a level of filter sales 40 per cent higher than at the time of its acquisition on June 11, 1964.

Twin Industries Division

From at least four major standpoints, the Twin Industries Division experienced a most constructive year. Twin's sales and earnings were comfortably above the previous year: it developed the highest backlog of orders since 1958, and its product mix was a compatible 54 per cent commercial and 46 per cent defense industry business.

Total value of contracts received by Twin in 1965 was \$28,876,995, which increased its backlog from \$25,813,562 to \$34,928,000. This should provide a high level of shipments through 1967.

The Division worked on 27 diversified contracts, five of which were new in 1965. Of Twin's eleven customers, five are aircraft prime contractors, two missile and space vehicle prime contractors, two military agencies of the Federal government, and two major subcontractors. Its production of major assemblies included contracts for six commercial jet aircraft, three for military aircraft, and three for retrofit and repair programs for planes in active military roles.

In its larger contracts, Twin was required to step up the rate of production, including a one-third increase in output for the Lockheed-Georgia Company and higher delivery schedules for The Boeing Company.



Sun silhouettes Twin-made tail section of Boeing jet transport.



Wheelabrator traditionally salutes foreign visitors with flags of their countries. Representatives of the company's foreign associates beneath their national emblems during the 1965 INTERNATIONAL ENGINEERING CONFERENCE in Mishawaka.

Balcrank Division

This Division experienced rather an eventful year. It posted a 20 per cent increase in bookings, successfully introduced new products which indicate promising potential and maintained a balance between customer commitments and production and inventories during the extensive move of its operations from Cincinnati to Mishawaka.

A sales increase of eight per cent was across-the-board in the division's basic lines of lubrication products, machine tool accessories, service station hardware and pumps.

Of the new products, one has special significance in the metalworking field and the other in the division's lubrication lines.

The Balcrank Jet Pulser Pump incorporates a new dimension of pulsating high pressure flow of coolants for new or used drill presses, turret lathes and automatic screw machines. It permits deeper, faster drilling with a simultaneous action that flushes away chips and abrasive metal particles.

Fleet operators of heavy duty trucks, tractor trailers, buses and road and construction equipment were attracted to the Balcrank Pre-Set Oil Meter, which delivers any pre-determined amount of crankcase fluid from one to 60 quarts, shuts itself off automatically, and frees mechanics for other duties.

International

The tempo in the international field, where Wheelabrator now has manufacturing plants and licensees in 21 countries, continued high.

Wheelabrator extended for another 10 years its license agreement with its second oldest associate, George Fischer Limited, of Switzerland, and joined this Swiss firm in purchasing an established German company to manufacture Wheelabrator products for the Common Market.

Consideration was given to a new joint venture in India for the manufacture of steel abrasives and alloy parts and in addition, the possibilities of a joint venture with a long-time Wheelabrator licensee was also being studied.

Two other joint manufacturing ventures in South America were being negotiated and the company's foreign expansion plans also included five possible joint ventures in the Far East and Middle East.

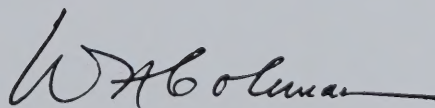
During the year, the sale of Wheelabrator equipment produced in overseas markets continued its upward trend and furthermore, the volume of goods exported directly from Mishawaka was ahead of the previous period.

In Conclusion

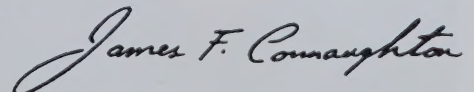
Based on analysis of our existing orders and prospects for new business, and in consideration of the best available economic forecasts, the coming months are expected to be busy and fruitful, even with the added challenges of expansion and acquisition. The company-wide objective is still to increase shipments substantially and at the same time, expand profit margins.

The challenge of growing in an orderly manner in several important directions for our future could not be effectively achieved without the continuing support and confidence of our stockholders and the complete diligence and loyalty of our employees. For this we are grateful.

FOR THE BOARD OF DIRECTORS



William H. Coleman
Chairman



James F. Connaughton
President

February 18, 1965

WHEELABRATOR DIVISION

airless blast cleaning equipment, air pollution control systems, steel abrasives, vibratory finishing equipment, fabric filtration media

Since 1908, the Wheelabrator Division has been cleaning consistently larger quantities of industrial products made from an increasingly greater number of materials. And as an extra and important measure, has been helping to clean the air around us.

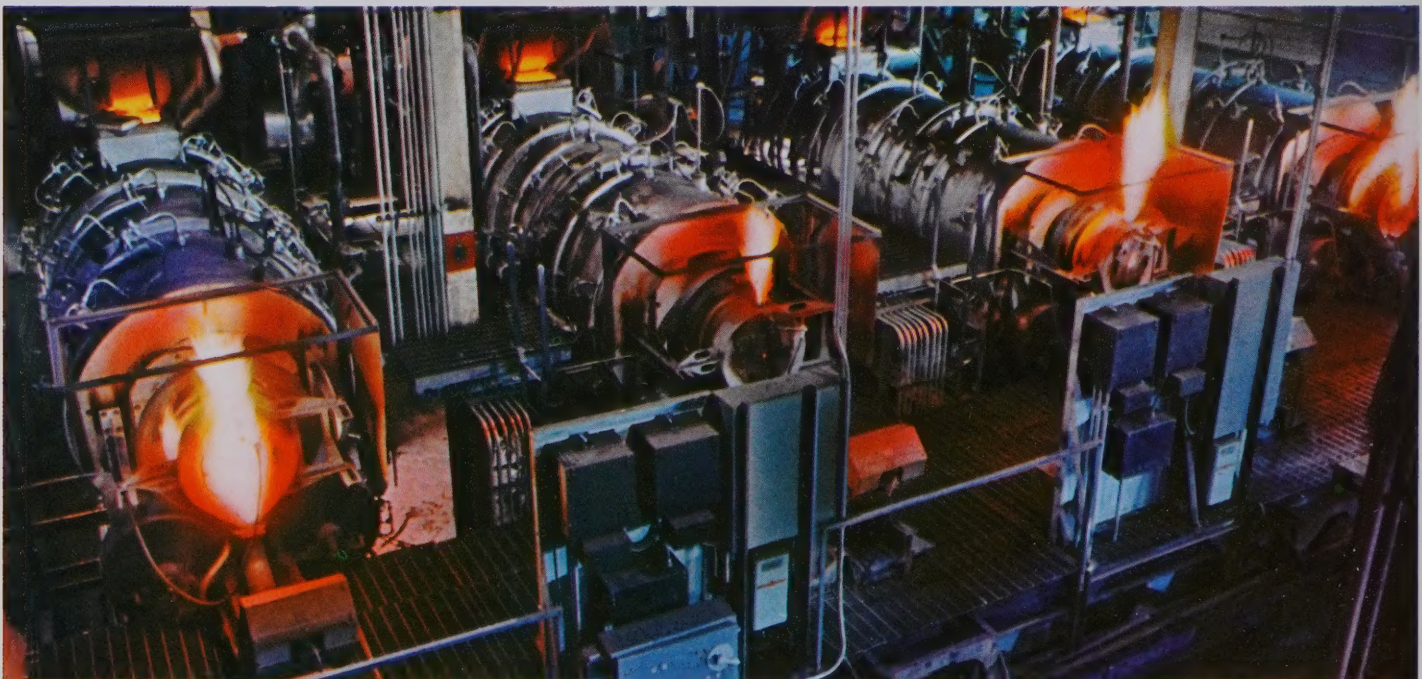
No single previous year matched the over-all progress the Division achieved in 1965. It handled the greatest volume of business in its history, launched a substantial expansion of its production facilities, increased employment, and, as a mark of the quality and performance of its products, began its 59th year with a backlog improved over the prior period.

Airless blast cleaning, commonly known in the trade as "Wheelabrating," continued to gain greater acceptance as a standard rather than a specialized production tool. This is a direct reflection of the Division's continuous program of new designs and product improvement which has steadily lowered operating costs.

One of the designs introduced in 1965, called a "ram-roll" Wheelabrator, took a giant automated step forward by permitting continuous cleaning of high production castings and other automotive parts. The Federal government awarded Wheelabrator a contract for a large number of machines for abrasive cleaning of bomb shells by private industry.

Steel companies were again among the bigger sources for abrasive cleaning equipment. Sharp increases were evident in the use of this process for surface cleaning structural steel and for rod and bar stock. Additional orders were also received for the rubber deflashing equipment originally developed by Wheelabrator, some of which employ the cryogenic principle to freeze the product before blasting.

Highly automated facility at Mishawaka produced a record tonnage of Wheelabrator abrasives in 1965. These continuous heat treat furnaces, (below) which are operated on a three-shift basis, temper the steel abrasives to the desired toughness.

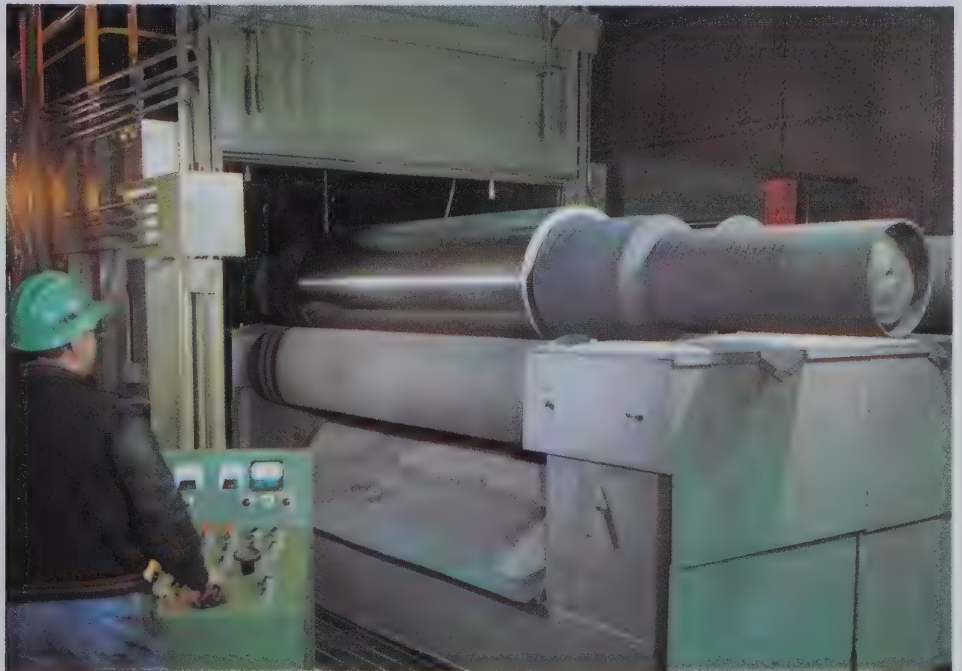


In air pollution control, Wheelabrator continued to assist industry's efforts to combat contaminants in the atmosphere. It booked more business than in any similar period but more significantly, added a type of control completely new to its program. This was a thoroughly engineered and proven system of electrostatic precipitators introduced in this country and in Canada through an agreement with a German company.

This system relies almost solely on opposing charges of electricity to collect pollutants from air and gas streams whereas Wheelabrator's speciality for many years has been the filtration and collection of dust and fume particles by means of tubes made of natural and synthetic fibers. The Division received its first two precipitator orders during 1965.

Understandably, however, the major developments related to the cloth filter systems.

Wheelabrator's highly adaptable abrasive-hurling equipment etches special surfaces on steel mill rolls in the vast, new Burns Harbor, Indiana, facility dedicated during the year by Bethlehem Steel Corporation. This is one of two mill roll etching machines delivered to Bethlehem in 1965.



Wheelabrator was awarded the largest single domestic order for air pollution control equipment; the largest export order for equipment and the largest order for ultra-filtration, or air filtering, equipment.

An assignment which required 18 months from contract to operation, was completed at Huron Portland Cement Company in Alpena, Mich. Cloth collection systems were installed in three housings of monolithic slip-formed poured concrete, first in the U.S.

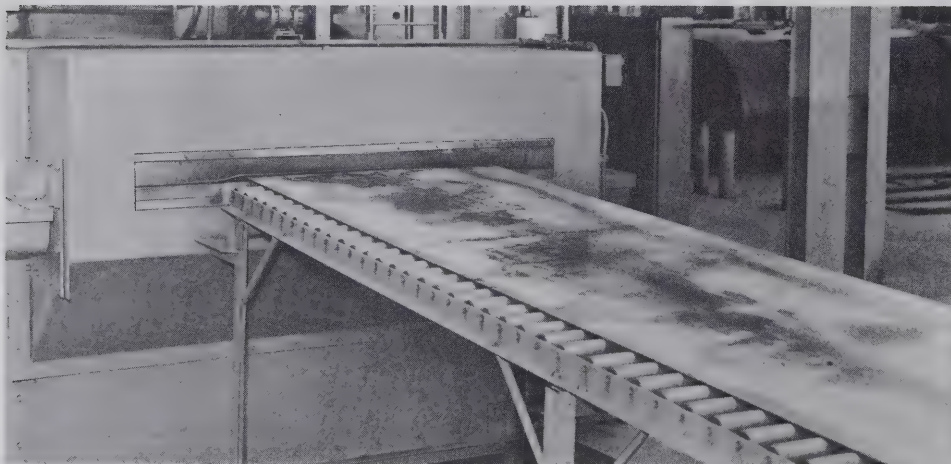
The uptrend in fabric air pollution control systems was also mirrored in the production of fabric filters at the W. W. Criswell Company Division in Riverton, N. J. and the Barrday Ltd. Division in Galt, Ontario. The output of cloth tubes for collection systems ran substantially ahead of 1964 at each facility and in addition, Barrday increased de-

...IN CLEANING OF METALS

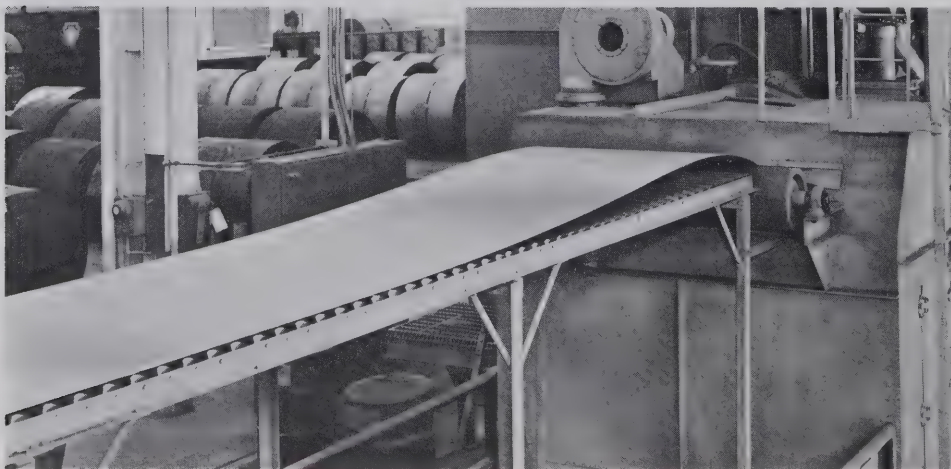
liveries of its other types of filter media, principally to the wood and pulp and mining industries. It also expanded filter applications for water pollution control.

Another product, a toughened steel abrasive which Wheelabrator pioneered a dozen years ago, was turned out at a record tonnage, with the shot plant at Mishawaka working around the clock throughout the year. The demand for this specialized cleaning material was also noticeable in the sales by Wheelabrator's jointly owned plants in France and Japan.

One of the newer Wheelabrator product lines, the vibratory finishing machines, had the most conspicuous advance of its six years. With major product improvements, many incorporating advanced automated techniques, the Lorco equipment demonstrated to a wider customer audience its ability to eliminate tedious, costly hand finishing and deburring and furnish superior results.

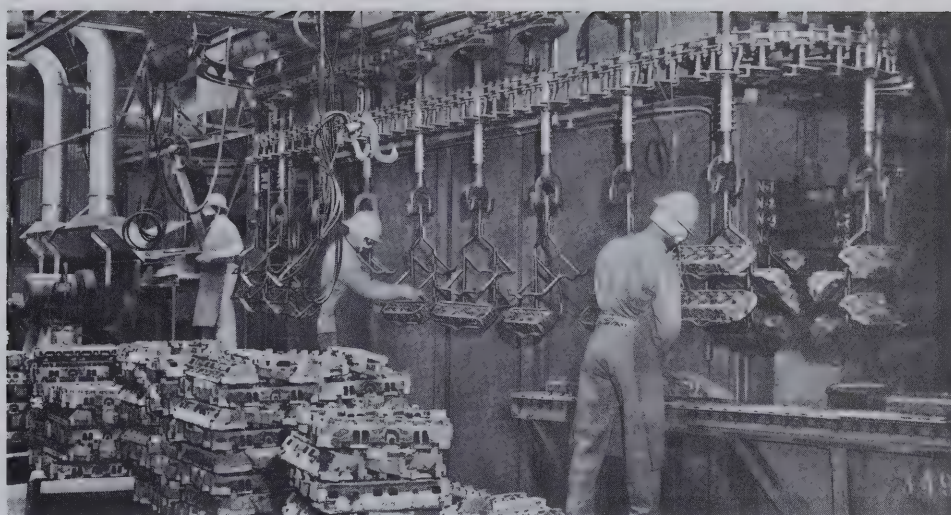


Raw steel, with an obviously dirty surface, entering a Wheelabrator blast cleaning cabinet installed in 1965 in an automotive stamping plant in Michigan. This machine has twelve 100 H.P. abrasive-hurling wheels incorporated into a complete straight-line automated descaling system. The cabinet accommodates steel strip of widths from 24 to 63 inches and under typical operating conditions, blast cleans up to 250 feet of metal per minute.

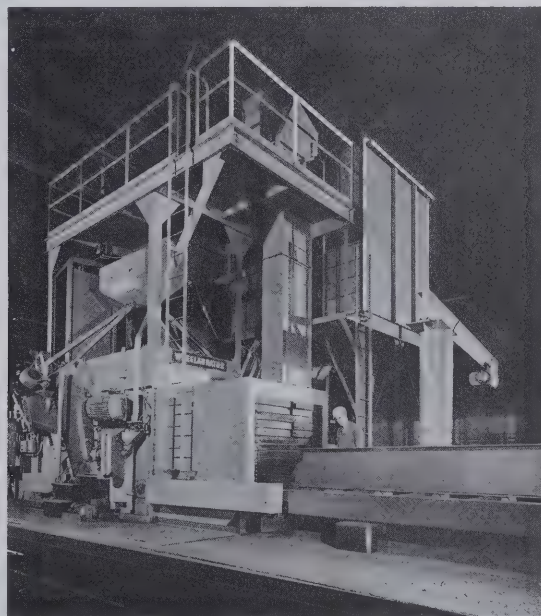


This photo shows the surface condition of the cleaned steel leaving the cabinet. This is part of the same coil seen entering the cabinet in the photo above. Prior to the installation of this descaling cabinet, a great majority of steel was purchased mill-pickled and oiled. Wheelabrator equipment pioneered in-plant steel descaling technology and provides the plant with the capacity to clean its own steel for production, with resulting economies.

A Wheelabrator monorail-type blast cleaning machine in a prominent auto maker's facility in Hamtramck, Mich. Gray iron cylinder heads are being "Wheelabrated" in a continuous high-production operation. This is where parts are loaded onto the monorail before it carries them into the cabinet, right, for cleaning.



The cleaning of fabricated structural steel by Wheelabrator airless blast equipment has been on the increase for the past several years. A typical machine, with six abrasive-hurling wheels, is at work at the Mosher Steel Company in Houston, Texas. Mosher has a similar machine in Dallas.



Another, and fast growing type of Wheelabrator finishing system is deburring camera and projector die castings at the Bell & Howell facility in Lincolnwood, Ill. This is an automatic 20 cubic-foot Lorco vibratory precision finishing machine with an end discharge and complete handling system. This process uses media and chemical compounds rather than steel abrasives.



...AND CLEANING OF AIR

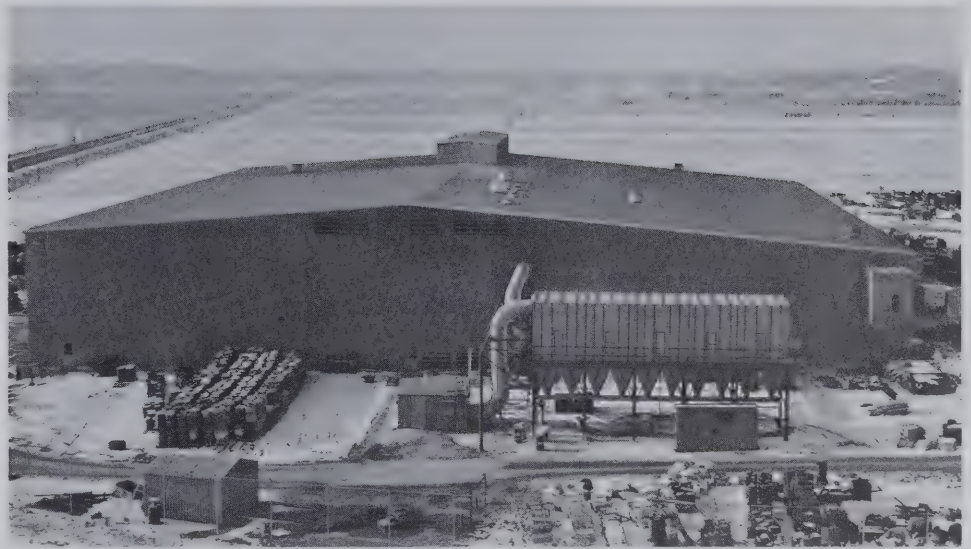


Wheelabrator engineering and production skills are in continuous support of industry's far-reaching program to combat air pollution. This photo depicts a typical "before" scene—before installation of a Wheelabrator air pollution control system. The dense smoke and fume is billowing from one of two 225-ton electric steel melting furnaces at a Laclede Steel Company mill in Alton, Ill.



The successful "after" phase of the before-and-after sequence is graphically illustrated when the same furnace is connected to the snorkel type of Wheelabrator's cloth tube air pollution control system. The Wheelabrator system captures potential contaminants at the source—the melting furnace—and prevents them from entering the atmosphere inside or outside the plant. The Laclede furnaces are the largest in the country presently using air pollution control equipment.

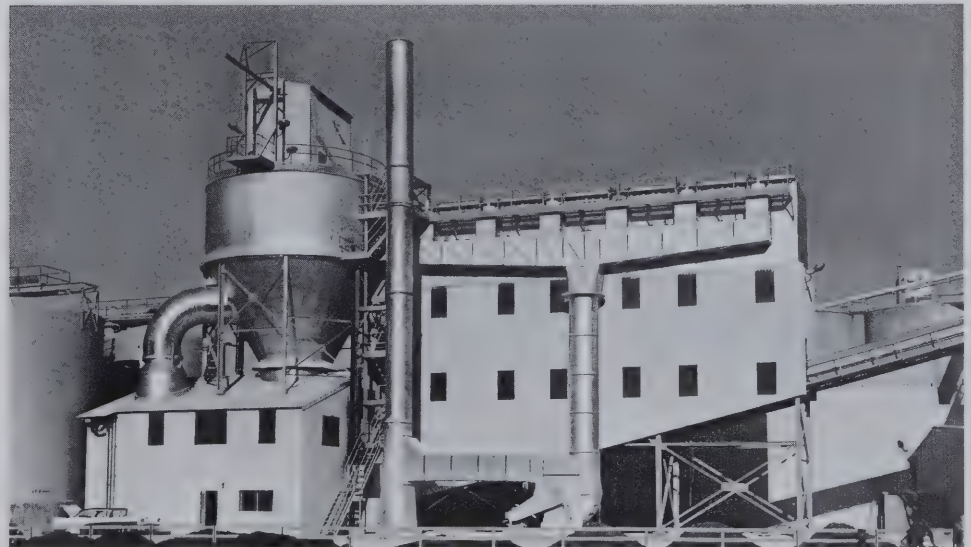
A secondary smelter without stacks! This unusual facility is reported to be the most modern secondary smelter in North America. The "stackless" design was made possible through the incorporation of a Wheelabrator air pollution control system which prevents smoke particles from escaping into the plant or into the atmosphere. The dust-laden air is drawn from the various inside smelter operations to the smaller building (foreground) where dust particles are collected by Wheelabrator cloth filter bags and clean air expelled. The operation is at General Smelting Company of Canada, Ltd., at Burlington, Ont., a subsidiary of Noranda Mines Ltd.



Wheelabrator doubled as equipment manufacturer and general contractor in furnishing air pollution control systems in three concrete collector structures at the huge Huron Portland Cement facilities in Alpena, Mich. This view is of one of the monolithic slip-formed poured concrete buildings housing the fabric tubes and other equipment which collect cement particles from air streams in Huron's overall clean air program.



Extremely fine particles of dust are captured by a Wheelabrator cloth tube collector in the drying phase of processing kaolin clay, a highly pure type used in paper making and in the manufacture of pharmaceuticals. The Wheelabrator air control system (at top of plant) is constructed of stainless steel to avoid contamination of the dust and is specially insulated to keep the temperature above the dew point. This is at the Freeport Kaolin Company, near Macon, Ga.



...AND INTERNATIONALLY

On a cement kiln in the Philippines, in a rubber plant in England, a mining town in southwest Africa, a foundry in Mexico or South America, or a steel fabricator in Japan, India or Australia—Wheelabrator products are performing roles of important utility.

This international activity was broadened measurably in 1965. Established joint ventures were expanded and all operated profitably. Equipment exported from Mishawaka increased over 1964. A program of further expansion was prepared and carried out.

Overseas, Wheelabrator products are produced and marketed through wholly-owned subsidiaries, joint ventures, manufacturing associates, licensing arrangements and sales agents. Wherever practical and permitted by the laws of foreign countries, Wheelabrator has adhered to a philosophy of active participation in international ventures, and its investment positions range from 25 to 100 per cent.

Special attention was given to extending activities into a number of new territories. With its European licensee, George Fischer Limited, of Switzerland, Wheelabrator purchased Ullrich and Roser, G.m.b.H., of Stuttgart, Germany, a company which makes automated foundry equipment and other machinery. Ullrich and Roser will manufacture Wheelabrator blast cleaning equipment for the Common Market and its present product lines will also be expanded.

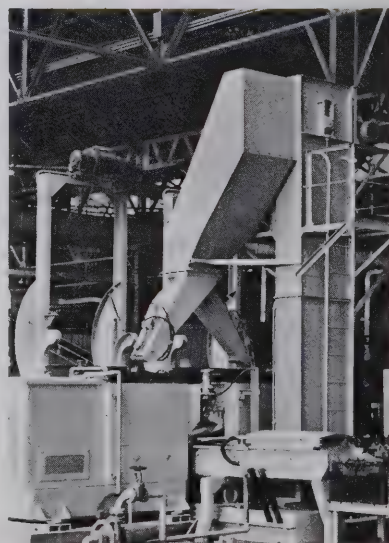
Discussions related to additional joint ventures were begun with three overseas manufacturing and sales licensees. One is a British Empire organization and the other two are in South America, where a stabilizing economic-political environment has created a good potential investment area again.

Talks were also held with representatives of the United States and Indian governments concerning the possibility of a new joint venture in India where an expanding market is creating larger requirements for Wheelabrator abrasives and steel alloy parts.

Two other manufacturing associates expanded their operations during the year. Wheelabrator-Allevar in France, which produces abrasives and cloth filter media, also directed its first major air pollution control installation, a collection system for a carbon black plant in Spain. Sintoblator, Ltd., in Japan, encountered an increasing demand late in the year for Wheelabrator blast cleaning machinery and abrasives and also installed a number of Lorco finishing machines.

The year-old Wheelabrator de Mexico, a wholly-owned subsidiary, is expected to be expanded beyond a distribution center to include some processing operations.

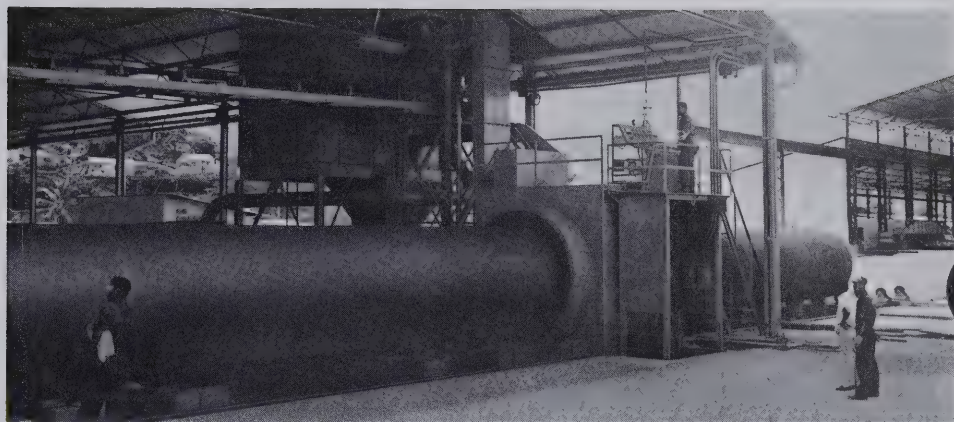
One of the significant events of the year was the International Engineering and Management Conference held at Mishawaka in September. Thirty-five representatives of 12 foreign countries attended a two-week series of sessions devoted to engineering, production techniques and marketing and visits to sites of major Wheelabrator equipment installations in the Midwest.





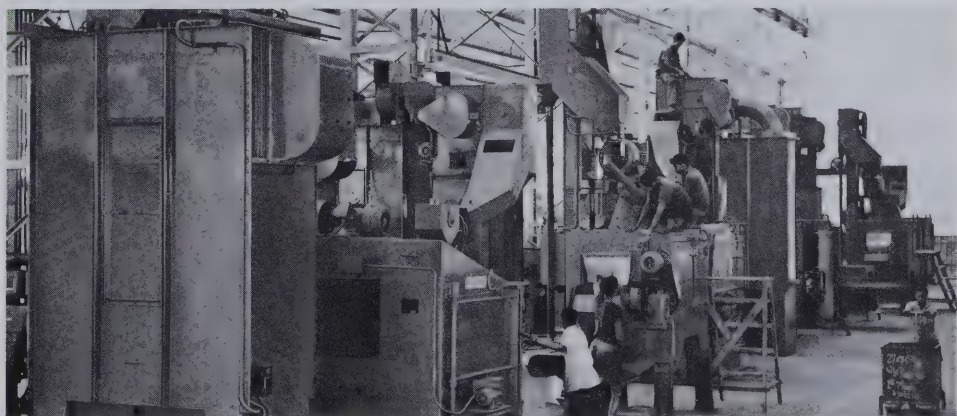
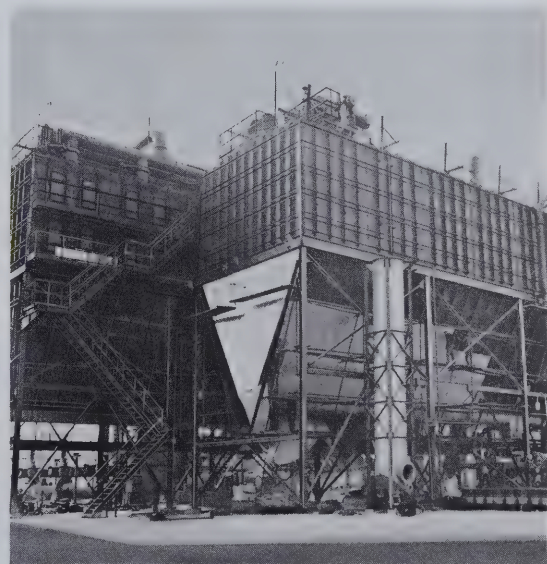
Wheelabrator blast cleaning equipment is flexible not only in uses but also in design modifications and adaptations. George Fischer Limited, Wheelabrator's licensee in Schaffhausen, Switzerland, developed this combination of turn table and straight line car-type shot blasting unit (above). It is employed on metals for descaling, rust and slag removal.

One of four Lorco vibratory finishing machines (left) installed in 1965 in the Kumugaya plant of Hitachi, Ltd., by Wheelabrator's Japanese associate, Sintobrador, Ltd. These provide a continuous automatic finishing line for transmission gears.



Sizes of products, small or large, pose no problems indoors or out for Wheelabrator blast cleaning machines. An outdoor installation at Industria Mecanica Orion, S.A. in Caracas, Venezuela, cleans pipe up to 96 inches in diameter at a rate in excess of 100 square feet a minute. Even more unique, the unit was designed to clean not only the outside surface, but the inside as well, with the aid of a boom.

Under final construction in 1965 was the first cloth tube collection system in Spain and the first of the magnitude by Wheelabrator-Allevard, the company's French associate. Four separate filter systems, handling 105,000 cubic feet of air per minute, collect extremely fine particles of carbon black used in the production of rubber tires. The plant is near Santander and is a joint venture of Calatrava, Empresa para la Industria Petroquímica, S.A., Madrid, and the Phillips Petroleum Company of the U.S.



Probably nowhere in the international market has Wheelabrator equipment encountered such immediate acceptance as in India, where the company's joint venture, Indabrator Limited, has a two-year backlog of orders. This view is of part of the final assembly area for blast cleaning machines in the Indabrator plant near Bombay, where production was initiated only at the beginning of 1965.

TWIN INDUSTRIES DIVISION

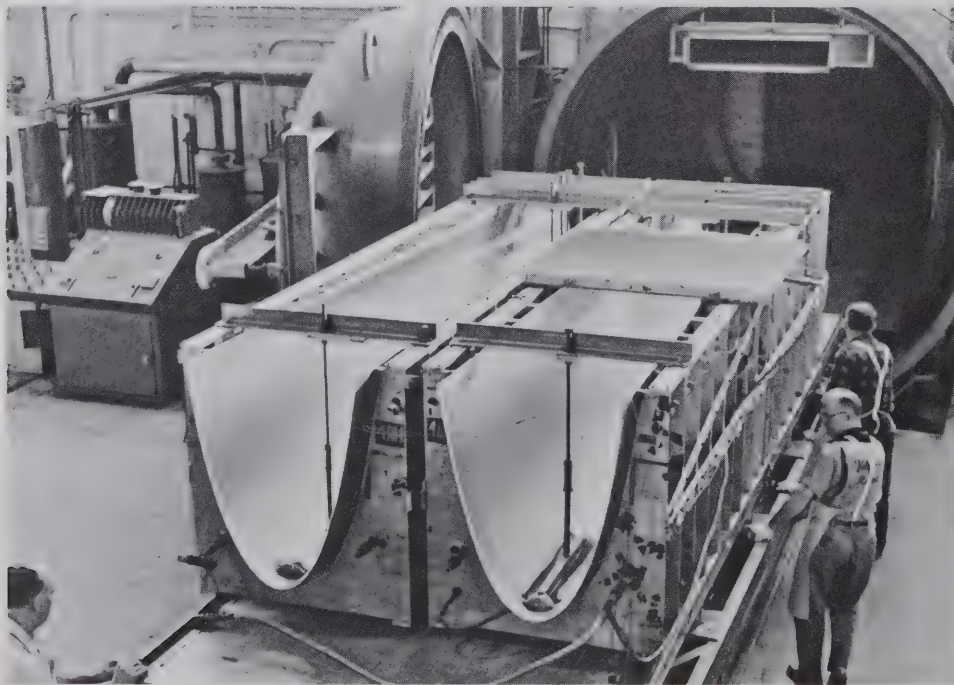
assemblies for military and commercial aircraft, special components for missiles and aircraft, Twinfold material

Jet transports of The Boeing Company fly approximately 850,000,000 passenger miles every week in the service of 45 commercial airlines. Each time a four-engined 720 or 707, the new 727, or even the U. S. Air Force's KC-135 takes off, climbs to cruising altitude, and lands, Twin Industries products are contributing to the flight performance.

The C-141 StarLifter jet cargo transport, built by the Lockheed-Georgia Company has flown non-stop from Japan to Dover, Del., in less than 12 hours. The Air Force employs these transports, which have a wing span of 178 feet, on world-wide assignments and in 1965, introduced them in support of our effort in Vietnam. Twin builds the leading and trailing edges for those giant wings.

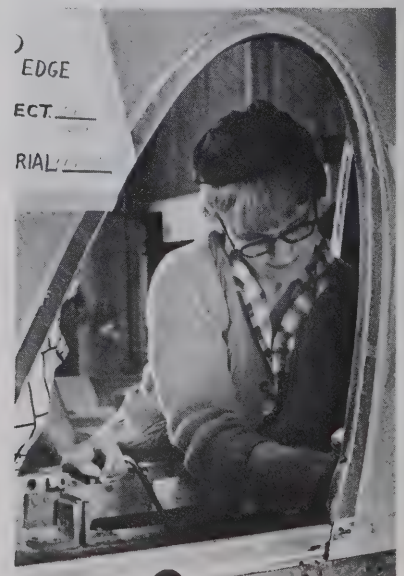
When Grumman's S-2E Tracker is on anti-submarine patrol for the Navy, wings and control surfaces from Twin are also on patrol. So are other bonded assemblies for Grumman's E-2A Hawkeye and its Gulfstream I, and for the Ling Temco Vought F-8E Crusader.

Twin's name won't be found among the first 50 or even 100 of the largest defense contractors. And it has never designed an airplane of its own. But year after year, Twin's ability to engineer and produce to customers' specifications and to deliver on or ahead of schedule has made vital contributions to the country's commercial aviation progress and the national defense.



Leading edge sections of the U. S. Air Force C-141 StarLifter are introduced into one of Twin's autoclaves, equipment comparable to a giant pressure cooker. The combination of heat and pressure inside the autoclave is one of the final stages in bonding honeycomb to metal wing surfaces. The honeycomb bonding process eliminates rivets, increases strength without added weight penalties.

The "Rosie-the-Riveter" of World War II fame is still very much on the job in many of the nation's aircraft plants. The assemblers framed by the wing leading edge section (below) and in the color photograph (opposite) are among the 150 women employed by Twin in direct production of airplane components.



A high level of activity and productivity is apparent in one of Twin Industries' major fabrication areas. Many of the assemblies here are for the Lockheed-Georgia Company's C-141 military jet cargo transport.



During the past 18 years, Twin's shipments of aircraft assemblies and components has exceeded \$365 million.

And, of the 27 contracts Twin worked on in 1965, five were entirely new assignments.

One of these contracts is for the complete tail section of the new Grumman Gulfstream II, a turbo-fan powered twin-jet with a speed of 585 miles per hour and designed primarily for corporate use.

Twin's responsibility for this aircraft includes the complete tooling and production of the vertical fin, horizontal stabilizer, elevators and trim tabs. Initial flight of the Gulfstream II is scheduled for late in 1966, with production deliveries to begin in 1967.

Work for still another commercial jet, the 70-passenger Douglas DC-9 was added to Twin's backlog during the year. This entails tooling and production of 38 different machined stringers for the DC-9's wings, some measuring 48 feet in length and all requiring close tolerances.

..AND FOR COMMERCIAL AVIATION



This tail fin and rudder assembly for a Boeing commercial jet transport reaches almost three stories high in Twin's Buffalo facility. Twin has been the sole source of these large airplane structures and has produced more than 1200 of the assemblies since the beginning of Boeing's jet liner program.

General Electric awarded the Division an initial contract for the tooling and fabrication of extremely lightweight bonded panels for use on a U. S. Air Force satellite, part of a communications system. Another new order specifies the chemical milling of a missile section for the Raytheon Company, and Twin's specialization in this type of processing is geared for high production.

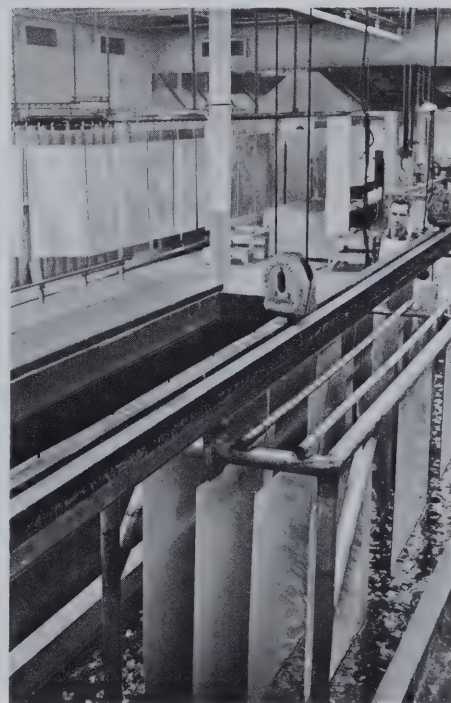
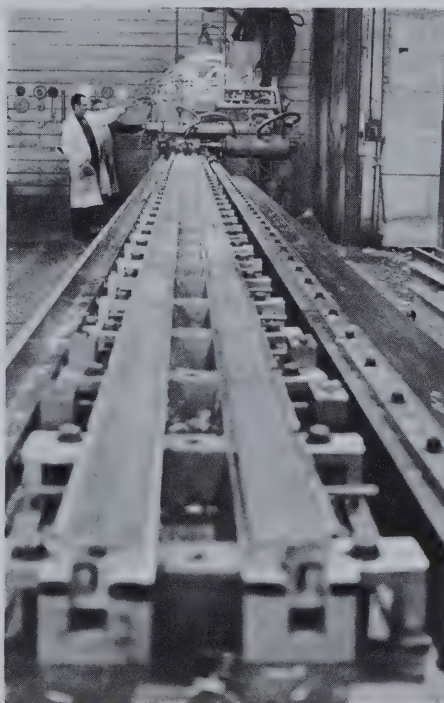
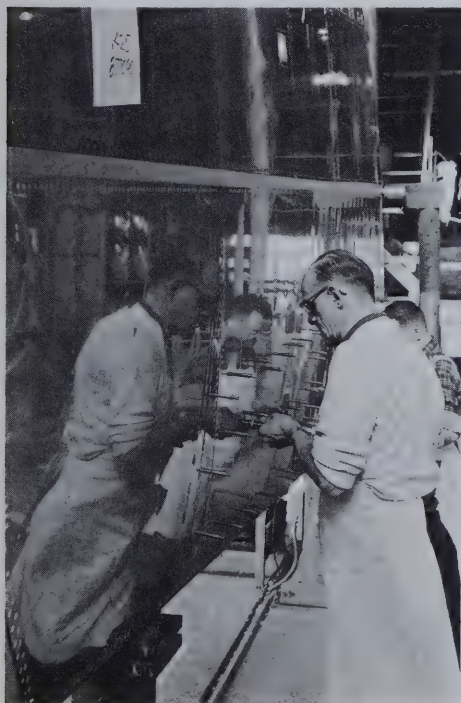
However, of major production importance during the year was an increase of 30 per cent in the rate of assemblies for the C-141 transport, effective in the fourth quarter. An increase in the schedules for fin and rudder and spoilers assemblies for Boeing's 707 and 720 transports takes place in 1966. These assignments increased Twin's factory employment more than seven per cent.

Early in 1965, major efforts were concluded to prepare proposals for Lockheed-Georgia's design entry in the competition for the C-5A heavy logistics transport. Lockheed was awarded the contract for this super-cargo transport by the Air Force. Twin is now preparing additional proposals to submit to Lockheed when the production engineering design of the aircraft is more advanced.

Production workers at Twin are mirrored in the surface of this exterior skin panel of a tail section for a 707 jet transport. This section is later joined with a rudder before shipment to the Boeing plant in Renton, Wash.

Another contribution to commercial aviation at Twin are the stringers for the wings of the new Douglas DC-9 jet transport. The stringers range to 48 feet in length, and are machined to close tolerances.

A chemical milling department was established at Twin in 1965. This process etches specific areas in aluminum, magnesium, steel and titanium so that these areas can be removed by chemicals rather than by machining.



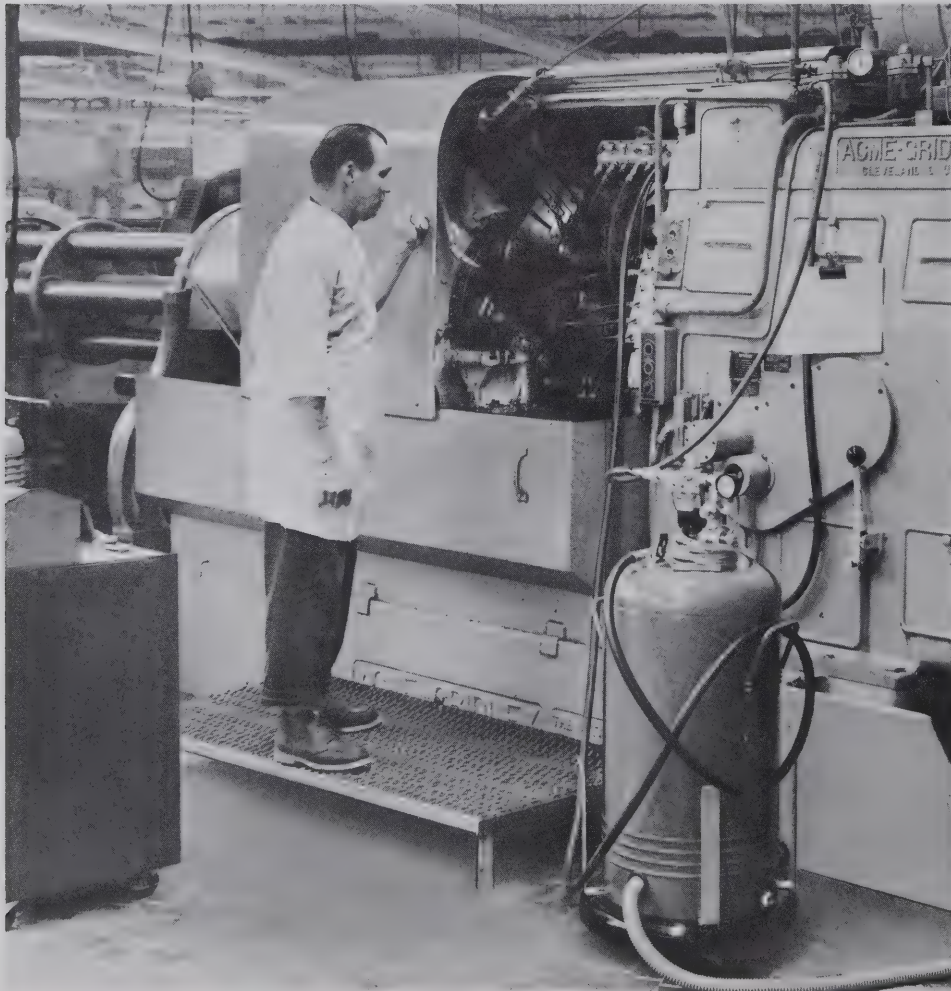
BALCRANK DIVISION

lubrication equipment, machine tool accessories, industrial pumps, service station hardware

An operator in any machine tool shop or a service mechanic in a truck terminal, auto dealership, gas station, or even an airport, can hardly escape being in steady contact with one or more Balcrank products.

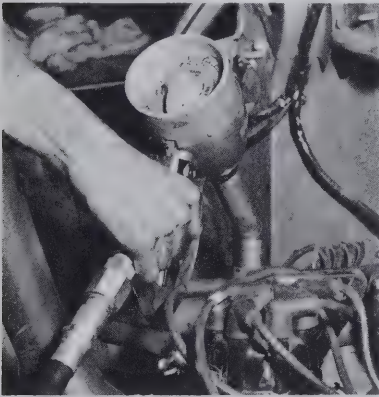
Machine tools of all types—grinders, lathes, milling machines, cutters, planers, saws—have as many as a dozen Balcrank accessories or handwheels. Passenger autos, buses and tractor-trailers everywhere are serviced and fueled with the assistance of a wide mixture of Balcrank products.

Balcrank's technology moved it into firmer positions in these markets with the introduction of several new products. The most important in the machine tool field is the Balcrank Jet Pulser Pump. This innovation permits oil to be fed under a high pressure pulsating flow which keeps the drill cool, makes the holes smoother, removes chips,



A new Balcrank jet pulser coolant pump supplements a six-spindle automatic screw machine at the Chandler-Evans plant in West Hartford, Conn., a division of Colt Industries, Inc. The pump permits higher penetration rate, faster drilling speeds and extended drill life.

"Hands off" filling of crank cases is possible with the Balcrank Pre-Set Oil Meter. After the mechanic sets the meter to deliver from one to 60 quarts of oil, he can walk away from the truck tractor at the Scott Bros. Division of Pennsylvania Truck Lines, Inc., Philadelphia.



and prolongs the drill life. This increases the rate of penetration of the drill from 100 to 500 per cent.

The pump is portable, can be wheeled from one machine to another, and increases the productivity of even the oldest drills, lathes or automatics. The feature is the pulsating action which has proven to be more effective than constant pressure action.

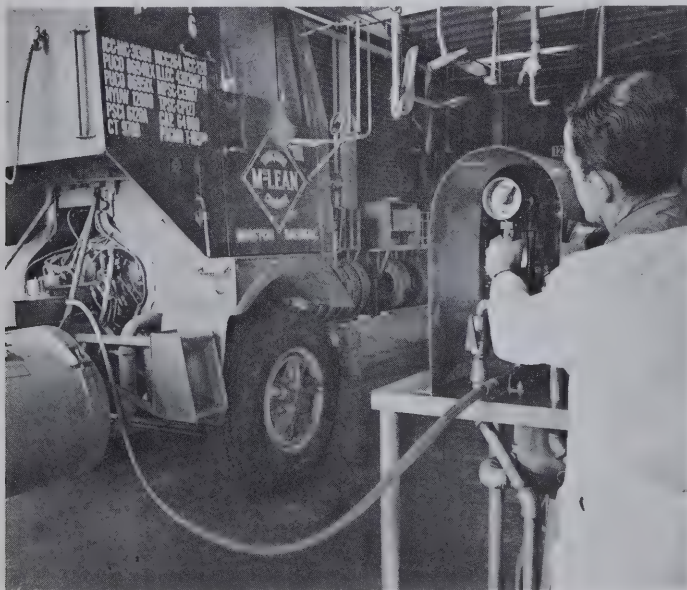
The pulser pump development stimulated more than 1200 inquiries at the Machine Tool Show in Chicago. Balcrank, of course, is no stranger to this field since it has produced tens of thousands of pumps for high pressure lubricant pumping.

The contribution to engine lubrication was the Balcrank Pre-Set Oil Meter which permits automatic filling of crankcases in heavy trucks, tractors, buses, construction and road building vehicles. Any pre-set amount of oil from one to 60 quarts is delivered without the monitoring of a mechanic. The meter has an automatic shut-off device.

Eight new items were added to the Division's Brookins line of service station hardware and some products which have been purchased for years will soon be manufactured in Mishawaka.

As a sales aid, Balcrank sent on tour in various parts of the country three mobile showrooms equipped with all its lubrication products for on-the-spot demonstrations. This was so successful, a similar showroom was ordered to demonstrate its machine tools accessories, including a new type of aluminum handwheel introduced in 1965.

This is a different type of installation of the Pre-Set Meter being tested in an experimental setup at a service facility of the McLean Trucking Company, Winston Salem, N. C. The meter is designed to deliver the exact amount of oil required, then shuts itself off.



To further recognition and sales of its varied lines of lubrication and service station accessories, Balcrank introduced trucks as mobile showrooms for on-the-spot demonstrations of its products. The showrooms range over wide sales territories direct to the customer.



DOMESTIC AND INTERNATIONAL OPERATIONS

Wheelabrator Division, Mishawaka, Ind.

Airless blast cleaning equipment, air pollution control systems, vibratory precision finishing machines, steel abrasives and abrasive compounds.

James F. Connaughton, President
Leslie L. Andrus, Vice President
Kenneth E. Blessing, Vice President—Sales
James E. Donlan, Vice President and Controller
James L. Hesburgh, Vice President—International Operations

D. Roger Neeld, Vice President and Director of Engineering
Robert L. Orth, Vice President—Engineering—New Products
F. John Pichard, Vice President—Marketing
Paul H. Setzler, Vice President—Operations
Edward T. Sullivan, Treasurer

W. W. Criswell Co. Division, Riverton, N. J.

Fabric products for filtering solids from gas or liquid streams.

Leslie L. Andrus, President
Len B. Nelson, Vice President and General Manager

Wheelabrator Corporation of Canada Limited, Toronto, Ont., Canada

Airless blast cleaning equipment, air pollution control systems, abrasives.

Leslie L. Andrus, President
Robert A. Campbell, Vice President and General Manager

Barrday Ltd., Galt, Ont., Canada

Fabric and plastic filtration media.

Charles H. Barrett, President
Robert A. Campbell, Executive Vice President
Frederick A. Day, Vice President

Edward Lipsett Ltd., Vancouver, Brit. Columbia, Canada

Cloth filters, canvas and plastic products.

Harry Inman, President

Wheelabrator de Mexico, S. A., Mexico D. F., Mexico

Distribution and warehousing center.

John F. Cordell, Vice President and General Manager

Société Wheelabrator-Allevard, Le Cheylas, France

Steel abrasives, air pollution control equipment, fabric filtration media.

Georges Bietrix, Chairman of the Board and President
Pierre Dissez, Secretary and Treasurer
Pierre Baylot, Technical Manager

Graber & Wening AG, Neftenbach, Switzerland

Specially engineered airless blast cleaning equipment.

Dr. Bernard K. Greuter, Chairman
Werner Lory, Vice Chairman and General Manager
Walter Graeser, Secretary

Sintoblator, Ltd., Nagoya, Japan

Steel abrasives, vibratory finishing equipment.

Hideichi Kondo, President
Yuzuru Nagai, Vice President
Noboru Takada, Vice President

Indabrator Limited, Bombay, India

Standard airless blast cleaning and air pollution control equipment.

J. V. Patel, Chairman and Managing Director

Ullrich and Roser, G.m.b.H., Stuttgart-Bad Cannstatt, Germany

Airless blast cleaning equipment.

Otto W. Zollikofer, President

Twin Industries Corporation Division, Buffalo, N. Y.

Assemblies and sub-assemblies for military and commercial aircraft, ground handling and ground support equipment for aircraft and missiles, Twinfold material.

John J. Lee, President

George R. Hecht, Vice President and General Manager

Ernest Summers, Vice President and Controller

Balcrank Division, Mishawaka, Ind.

Stationary and mobile lubrication equipment, service station supplies, industrial pumps, machine tool accessories.

Elmer A. Rich III, Vice President

John R. Richardson, Treasurer

Frank A. Johnson, Vice President—Sales, Lubrication Equipment

Domestic Sales Offices:

(Wheelabrator)

| | | | |
|---------------------|-------------------------|----------------------------|----------------------------|
| Atlanta, Georgia | Dallas, Texas | Milwaukee, Wisconsin | San Francisco, California |
| Birmingham, Alabama | Davenport, Iowa | Mishawaka, Indiana | Sarasota, Florida |
| Buffalo, New York | Detroit, Michigan | New York, New York | Springfield, Massachusetts |
| Cincinnati, Ohio | Houston, Texas | Philadelphia, Pennsylvania | St. Louis, Missouri |
| Chicago, Illinois | Louisville, Kentucky | Pittsburgh, Pennsylvania | Union, New Jersey |
| Cleveland, Ohio | Los Angeles, California | Portland, Oregon | |

International Manufacturing Associates:

(Wheelabrator)

| | | |
|---|---|---|
| George Fischer Limited Schaffhausen, Switzerland | McPherson's Limited Melbourne, Australia | Equipamentos Industriais "Eisa" Ltd., Sao Paulo, Brazil |
| Sintokogio, Ltd. Nagoya, Japan | Tilghman's Limited Broadheath, Altrincham Cheshire, England | Carl Kurt Walther, G.m.b.H. Wuppertal-Vohwinkel, Germany |

International Sales Agents:

(Wheelabrator)

| | | |
|--|--|---|
| Neisser & Company, S.A. Lima, Peru | William Hunt & Co. (International) Inc. Taipei, Taiwan | Walco, S.A. Caracas, Venezuela |
| Mario R. Franceschini, Inc. Santurce, Puerto Rico | Griffin Machinery Corporation Manila, Philippines | Aravah A.T.L. Limited Tel Aviv, Israel |
| Motores, S.A. Bogota, Colombia | Tecnagent Santiago, Chile | Forel de Mexico, S.A. Mexico, D.F., Mexico |
| Eisa Argentina S. en C. Buenos Aires, Argentina | | |

AUDITORS' OPINION

ARTHUR ANDERSEN & CO.

Chicago, Illinois

To the Stockholders and the Board of Directors,
The Wheelabrator Corporation:

We have examined the consolidated balance sheet of THE WHEELABRATOR CORPORATION (a Delaware corporation and a majority-owned subsidiary of Bell Intercontinental Corporation) AND SUBSIDIARIES as of December 31, 1965, and the related consolidated statements of income and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and stockholders' equity present fairly the consolidated financial position of The Wheelabrator Corporation and Subsidiaries as of December 31, 1965, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
February 14, 1966.

Arthur Andersen & Co.

THE WHEELABRATOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 1965 and 1964

| Assets | 1965 | 1964 |
|---|----------------------------|----------------------------|
| Current Assets: | | |
| Cash | \$ 8,531,909 | \$ 6,663,466 |
| Notes and accounts receivable, less reserves— | | |
| Trade | 7,653,010 | 7,271,443 |
| From sales under contracts | 1,805,907 | 2,580,026 |
| Inventories, at the lower of cost or market— | | |
| Raw materials and supplies (first-in, first-out) | 3,515,002 | 2,844,711 |
| Work in process and finished goods (first-in, first-out) | 5,333,579 | 3,770,180 |
| Contracts in progress | 5,190,708 | 6,026,111 |
| Less—Progress payments | (917,454) | (1,578,101) |
| Prepaid expenses | 382,701 | 396,724 |
| Total current assets | <u>\$31,495,362</u> | <u>\$27,974,560</u> |
| Other Assets: | | |
| Noncurrent receivables | \$ 387,741 | \$ 434,490 |
| Other | 667,584 | 723,062 |
| | <u>\$ 1,055,325</u> | <u>\$ 1,157,552</u> |
| Property, Plant and Equipment, at cost: | | |
| Land | \$ 100,551 | \$ 96,526 |
| Buildings and improvements | 3,155,619 | 2,089,712 |
| Machinery and equipment | 8,969,518 | 8,586,902 |
| | <u>\$12,225,688</u> | <u>\$10,773,140</u> |
| Less—Reserves for depreciation | 6,682,412 | 6,239,681 |
| | <u>\$ 5,543,276</u> | <u>\$ 4,533,459</u> |
| Leasehold improvements, net | 1,054,683 | 982,148 |
| | <u>\$ 6,597,959</u> | <u>\$ 5,515,607</u> |
| Investments in Affiliated Companies, at cost: | | |
| (Note 1) (underlying book value \$1,598,192 and \$1,217,755 at December 31, 1965 and 1964, respectively) | <u>\$ 1,853,569</u> | <u>\$ 1,568,460</u> |
| | <u><u>\$41,002,215</u></u> | <u><u>\$36,216,179</u></u> |

The accompanying notes are an integral part of these statements.

| Liabilities | <u>1965</u> | <u>1964</u> |
|---|----------------------------|----------------------------|
| Current Liabilities: | | |
| Notes payable | \$ 449,510 | \$ 413,089 |
| Accounts payable | 3,473,088 | 2,376,285 |
| Accrued wages, benefits, taxes, etc. | 3,737,472 | 3,190,110 |
| Dividends payable | 483,096 | 400,017 |
| Reserve for Federal and Canadian taxes on income | 2,282,040 | 1,646,830 |
| Total current liabilities | <u>\$10,425,206</u> | <u>\$ 8,026,331</u> |
| Minority Interest | \$ 68,305 | \$ 44,945 |
| Stockholders' Equity (Notes 2 and 3): | | |
| \$1.50 cumulative convertible preferred stock, par value \$35 per share, redeemable at \$36.50 per share; authorized 85,715 shares; issued 1965, 37,338 shares; 1964, 65,018 shares | \$ 1,306,830 | \$ 2,275,630 |
| 5% convertible second preferred stock, par value \$5 per share, 2,556,320 shares authorized and outstanding | 12,781,600 | 12,781,600 |
| Common stock, par value \$1 per share; authorized 3,000,000 shares; issued 1965, 1,245,930 shares; 1964, 1,083,815 shares | 1,245,930 | 1,083,815 |
| Additional capital | 6,873,657 | 5,547,168 |
| Earnings retained in the business | 8,337,903 | 6,493,906 |
| | <u>\$30,545,920</u> | <u>\$28,182,119</u> |
| Less—4,300 shares of common treasury stock, at cost | (37,216) | (37,216) |
| | <u>\$30,508,704</u> | <u>\$28,144,903</u> |
| | <u><u>\$41,002,215</u></u> | <u><u>\$36,216,179</u></u> |

The accompanying notes are an integral part of these statements.

THE WHEELABRATOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS of INCOME

For the Years Ended December 31, 1965 and 1964

| | 1965 | 1964 |
|---|--------------|--------------|
| Net sales | \$60,241,085 | \$56,489,229 |
| Cost of goods sold | 43,910,506 | 42,549,646 |
| Gross profit on sales | \$16,330,579 | \$13,939,583 |
| Selling expenses | \$ 5,712,897 | \$ 4,947,706 |
| General and administrative expenses | 4,725,375 | 3,807,186 |
| | \$10,438,272 | \$ 8,754,892 |
| Operating income | \$ 5,892,307 | \$ 5,184,691 |
| Other income— | | |
| Royalties and other income, net | \$ 426,846 | \$ 422,143 |
| Interest income, net | 151,112 | 62,908 |
| | \$ 577,958 | \$ 485,051 |
| Income before taxes | \$ 6,470,265 | \$ 5,669,742 |
| Provision for Federal and Canadian income taxes | 3,060,000 | 2,844,000 |
| Income after taxes | \$ 3,410,265 | \$ 2,825,742 |
| Minority interest | (23,360) | (10,545) |
| Net income for the year | \$ 3,386,905 | \$ 2,815,197 |

The provision for depreciation and amortization was \$827,871 in 1965 and \$750,005 in 1964.

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Year Ended December 31, 1965

| | Preferred Stock | Second Preferred Stock | Common Stock | Additional Capital | Retained Earnings | Treasury Stock | Total |
|---|--------------------|------------------------------|--------------------|-----------------------|----------------------|-------------------|---------------------|
| BALANCE, January 1, 1965 | \$2,275,630 | \$12,781,600 | \$1,083,815 | \$5,547,168 | \$6,493,906 | \$(37,216) | \$28,144,903 |
| ADD (DEDUCT): | | | | | | | |
| Net income for the year | — | — | — | — | 3,386,905 | — | 3,386,905 |
| Cash dividends declared— | | | | | | | |
| \$1.50 preferred stock, \$1.50 per share | — | — | — | — | (77,216) | — | (77,216) |
| 5% second preferred stock, \$.25 per share | — | — | — | — | (639,080) | — | (639,080) |
| Common stock, \$.70 per share | — | — | — | — | (826,612) | — | (826,612) |
| Conversion of 27,680 shares of \$1.50 preferred stock (par value \$35) into 72,649 shares of common stock (par value \$1)—(\$396 paid in cash for fractional shares) | (968,800) | — | 72,649 | 895,755 | — | — | (396) |
| Common stock issued under stock option plan, 89,466 shares | — | — | 89,466 | 430,734 | — | — | 520,200 |
| BALANCE, December 31, 1965 | <u>\$1,306,830</u> | <u>\$12,781,600</u> | <u>\$1,245,930</u> | <u>\$6,873,657</u> | <u>\$8,337,903</u> | <u>\$(37,216)</u> | <u>\$30,508,704</u> |

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1965

(1) Foreign Subsidiaries and Affiliates

Operations of Canadian subsidiaries of the company are consolidated in the accompanying financial statements.

Six foreign companies are included as investments in the accompanying financial statements. Results of operations attributable thereto are not reflected in these statements; however, dividends and royalties received from these investments are included in income.

| Company | Country | Stock Ownership | Investment at Cost |
|--------------------------|-------------|--------------------|-----------------------|
| Wheelabrator-Allevar | France | 51% | \$ 546,656 |
| Sintobrador, Ltd. | Japan | 40 | 388,402 |
| Grabner & Wening AG | Switzerland | 40 | 569,753 |
| Ullrich & Roser G.m.b.H. | Germany | 40 | 215,043 |
| Wheelabrator de Mexico | Mexico | 100 | 80,079 |
| Indabrator Limited | India | 25 | 53,636 |
| | | | <u>\$1,853,569</u> |

(2) Stock Options

Under the stock option incentive plan adopted in 1964, 100,000 shares of common stock were reserved for options to officers and other key personnel. Options for 89,466 shares at prices which range from \$5.71 per share to \$13.09 per share were exercised during the year at an aggregate price of \$520,200. At December 31, 1965, options for 9,274 shares at prices which range from \$5.71 per share to \$15.38 per share were outstanding of which 4,274 shares were exercisable at that date.

(3) Preferred Stock Requirements

The Composite Certificate of Incorporation provides one vote for each share of preferred and common stock outstanding, and for restriction on the amount of dividends on common stock (other than common stock) if specified amounts of unconsolidated earnings retained in the business, or net current assets are not maintained, or preferred stock dividends are in arrears. Under such provisions, \$5,837,903 of consolidated earnings retained in the business is not restricted as to dividend payments.

At December 31, 1965, 98,050 shares of common stock were reserved for conversion of the \$1.50 preferred stock and 1,065,133 shares of common stock were reserved for conversion of the 5% second preferred stock.

The Composite Certificate of Incorporation provides that in 1966 the company will establish a sinking fund for partial redemption of 5% convertible second preferred stock. The required 1966 sinking fund provision of \$255,630 will redeem 51,126 shares of the 5% convertible second preferred stock unless otherwise directed by the Board of Directors, and the common shares reserved for conversion will be decreased by 21,302 shares. During 1965, the company offered to redeem 51,126 shares of the 5% convertible second preferred stock, however, this offer was declined by the holder of the 5% convertible second preferred stock.

(4) Lease Commitments

The company is committed under the long-term leases which expire at various dates through 1990. The aggregate annual payment of rentals under these leases is approximately \$362,000 (of which \$146,000 is payable to affiliated companies) for each of the next five years. At December 31, 1965, the company was negotiating to acquire substantially all of the properties currently being leased.



One of Wheelabrator's successful product lines
is steel abrasives.

The tiny steel pellets in the attached envelope are
continually performing mammoth-sized cleaning
and peening jobs for every segment of the
world's metal working industries.

This sample for stockholders shows the type of
Wheelabrator Steel Shot which is produced in 10 hard,
tough sizes for thousands of specific applications.

A second basic type of Wheelabrator steel abrasives
(not shown) is called Steeletts. These angular
particles are produced in nine different sizes and three
separate hardness ranges for dozens
of cleaning and etching uses.

With manufacturing facilities in the United States,
France, and Japan, Wheelabrator is the world's
leading supplier of steel-type abrasives.

